No. 05-932

IN THE

Supreme Court of the United States

LYRICK STUDIOS, INC.,
Petitioner,

v.

BIG IDEA PRODUCTIONS, INC.,
Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Fifth Circuit

REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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INTRODUCTION

The Fifth Circuit's categorical holding that a posttransfer writing can validate a copyright transfer only in a third-party infringement dispute represents a dramatic departure from decisions of the Second, Seventh, Ninth, and Eleventh Circuits regarding the efficacy of posttransfer writings under §204(a). That departure rests on an erroneous conclusion of law, not a mere factual distinction, as Big Idea incorrectly asserts. Because Big Idea does not dispute that it actually transferred its copyrighted products for distribution by Lyrick, there is no distinction between this case and third-party infringement cases in which "the transferor and transferee agreed that a transfer occurred," Br. Opp'n 6, and in which other courts recognized the validity of a transferor's confirmatory memorandum. The Fifth Circuit's flat rejection

of a posttransfer "note or memorandum" in a dispute between a transferor and transferee creates a clear split with other circuits that warrants the Court's attention.

Big Idea's policy arguments further reinforce the need for a uniform approach to assessing the validity of posttransfer writings. By posing illogical hypotheticals that ignore §204(a)'s core requirement of an actual licensing agreement and by recasting the statute's informal writing option as a litigation weapon for unscrupulous licensors, rather than a legitimate safeguard against involuntary transfers, Big Idea's opposition confirms that the Court's intervention is necessary to restore certainty and predictability to copyright transactions nationwide. Accordingly, the Court should grant the petition.

I. The Fifth Circuit's Rejection of Posttransfer Writings Under §204(a) Has Divided the Circuits on an Important Federal Question.

Dismissing decisions from the Second, Seventh, and Ninth Circuits as "not relevant," Pet. App. 9a, the Fifth Circuit held that §204(a)—the plain language of which permits a confirmatory note or memorandum to validate a transfer—applies differently in the third-party context. Although Big Idea attempts to disclaim a split by asserting that the "not relevant" decisions involved situations in which "the transferor and transferee agreed that a transfer occurred," Br. Opp'n 6, that is so in this case as well. There is no dispute that Big Idea transferred its copyrighted VeggieTales products for exclusive distribution by Lyrick, who marketed and distributed those products for four years. Pet. App. 3a-4a. Thus, the only difference between this case and other decisions addressing posttransfer writings is that this case does not involve a third-party contractual dispute. Neither §204(a)'s plain language nor the decisions of the Second, Seventh, Ninth, and Eleventh Circuits permit such a categorical distinction.

The Second, Seventh, Ninth, and Eleventh Circuits have recognized that §204(a) expressly permits the use of confirmatory writings to validate a copyright transfer, and none of those holdings rest on the third-party nature of the dispute. *Billy-Bob Teeth, Inc.* v. *Novelty, Inc.*, 329 F.3d 586, 591 (CA7 2003); *Imperial Residential Design, Inc.* v. *Palms Dev. Group, Inc.*, 70 F.3d 96, 99 (CA11 1995); *Arthur Rutenberg Homes, Inc.* v. *Drew Homes, Inc.*, 29 F.3d 1529, 1533 (CA11 1994); *Valente-Kritzer Video* v. *Pinckney*, 881 F.2d 772, 775 (CA9 1989); *Eden Toys, Inc.* v. *Florelee Undergarment Co.*, 697 F.2d 27, 36 (CA2 1982); see *Magnuson* v. *Video Yesteryear*, 85 F.3d 1424, 1428-1429 & n.1 (CA9 1996). As a result, the Fifth Circuit's unfounded distinction creates a sharp division in the circuits regarding an issue affecting the validity of copyright transfers nationwide.

The Fifth Circuit's injection of confusion and uncertainty into copyright law flouts Congress's goal of ensuring certainty and predictability of copyright ownership and necessitates this Court's resolution of the proper construction of §204(a).

II. The Policies Underlying §204(a) Reinforce the Need for Review.

Big Idea's emphasis on Congress's policy of promoting predictability and certainty in copyright transactions—along with Congress's specific §204(a) goal of liberalizing the means available to validate copyright transfers—reinforces the need for Supreme Court review to ensure faithful adherence to the policy objectives underlying §204(a). Although Big Idea attempts to justify the Fifth Circuit's narrow construction of the statute on policy grounds, Big Idea's hypotheticals rest on illogical premises that reflect a fundamental misunderstanding and misapplication of §204(a).

Unable to identify in the statutory text any justification for the Fifth Circuit's requirement that the transferor commu-

nicate the writing to the transferee, Big Idea focuses on the internal nature of its confirmatory memorandum, erroneously suggesting that an internal document does not further §204(a)'s goals and should be excluded from the statute's reach. Br. Opp'n 1-2, 5. Like the court of appeals, however, Big Idea is unable to explain why an internal memorandum cannot memorialize a legitimate transfer. Indeed, Big Idea does not dispute that its own internal memorandum revealed a belief, as transferor, that the parties had an agreement. Pet. App. 20a ("I would say that we have an agreement in force."). The Court should grant the petition and confirm that a "purely internal memo"—like a communicated writing—reflects the voluntary and intentional nature of the copyright transfer, thereby fostering "certainty of ownership" and promoting Congress's goals in §204(a). See *Billy-Bob Teeth*, 329 F.3d, at 592; *Eden Toys*, 697 F.2d, at 36.

Big Idea erroneously suggests that the Fifth Circuit's narrow reading of §204(a) is necessary to prevent transferors from binding transferees to fraudulent agreements simply by jotting off a postlitigation memorandum or filing a complaint. Br. Opp'n 7. But this strained hypothetical merely highlights the conflict among the circuits, as no other decision permits a court to disregard a written memorandum confirming a transfer that otherwise satisfies the textual requirements of §204(a). Moreover, the attempted justification for the Fifth Circuit's holding lacks any grounding in the textual requirements of §204(a) and ignores that a confirmatory memo, by nature, cannot stand by itself: There must be an underlying agreement for there to be something to confirm. For that reason, courts can avoid any potential litigation abuse by focusing on whether the writing memorializes an actual transfer of the copyright. That approach comports with §204(a), under which it is the copyright owner's written confirmation of the transfer—not the timing of the writing—that is material. See 17 U.S.C. §204(a).

In arguing that mischief will occur if litigious transferors have free rein to execute posttransfer memos, Big Idea's real complaint seems to be that §204(a) is a one-way statute that vests confirmatory authority solely in the transferor. Br. Opp'n 7. But the plain language of the statute expressly creates that "one-way option" by validating a transfer only when "the owner of the rights" executes the instrument of conveyance or "note or memorandum of the transfer." 17 U.S.C. §204(a). As the statute makes clear, Congress sought to protect the right holder above all else, preventing the "mischief" of "persons mistakenly or fraudulently claiming oral licenses." *Eden Toys*, 697 F.2d, at 36; see also *Billy-Bob Teeth*, 329 F.3d, at 592 (quoting *Imperial Residential Design*, 70 F.3d, at 99 (emphasis added)). And, contrary to the Fifth Circuit's conclusion, §204(a)'s writing requirement prevents that mischief, whether implemented through a formal conveyance or a posttransfer note or memorandum.

By permitting posttransfer, confirmatory writings, the plain language of the statute not only promotes predictability and certainty of copyright ownership, but also reflects §204(a)'s policy of liberalizing the means available to validate copyright transfers. Because the Fifth Circuit's decision undermines Congress's policy goals in enacting §204(a), injects confusion into copyright law, and thwarts the national "copyright marketplace" contemplated by Congress under the 1976 Copyright Act, *Cmty. for Creative Non-Violence* v. *Reid*, 490 U.S. 730, 740, 749 (1989), the Court should resolve the circuit split and establish a uniform national standard under §204(a).

CONCLUSION

The Court should grant the petition.

Respectfully submitted,

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